

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

A & C Deptt. – Horticulture – RKVY – FPO Policy for promoting Farmers Producers Organisations in Andhra Pradesh – To take forward the policy - Orders – Issued.

G.O.Rt.No.398.

Dated:02-06-2016.

Read :-

From the Commissioner of Horticulture, A.P., Hyderabad Lr.No.RKVY
/8/2015, dt.23.4.2016.

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O R D E R :

In the reference read above, the Commissioner of Horticulture, A.P., Hyderabad has stated that based on series of meeting and consultative workshop involving representatives of various Government departments and other stakeholders, the draft strategy paper to promote Farmers Producer Organisations / Farmers Producer companies (FPOs/FPCs) in Andhra Pradesh as part of the strategy to achieve double digit inclusive growth has been formulated. It would help in strengthening the farming community / Producers organise themselves and to establish forward & backward linkages for aggregation of input, produce, value chain development, better marketing opportunities resulting in higher income to the producers.

2. He has also stated that this policy will help the line Departments of Primary Sector to initiate the process of formation of FPOs/FPCs, initial hand holding as well as establishment of structure in the State to nurture and guide the FPOs in the State.

3. Government after careful examination of the matter hereby approve the FPO policy for promoting Farmers Producer Organisations in Agriculture, Horticulture and other allied Departments of Primary Sector in the state based on the proposal submitted by the commissioner of Horticulture, A.P., Hyderabad. The FPO Policy is annexed to this Order. These orders are applicable to all the Department of Primary Sector Mission.

4. The Commissioner of Horticulture, A.P., Hyderabad is requested to take necessary further action accordingly and prepare operational guidelines.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SATYA PRAKASH TUCKER
CHIEF SECRETARY TO GOVERNMENT

To
The Commissioner of Horticulture, A.P., Hyderabad.
All the Departments of Primary Sector Mission.
Copy to :
The P.S. to Addl.Secy. to C.M.
The P.S. to M (Agrl.)
The P.S. to C.S.
The P.S. to Spl.C.S.(Agrl.).
P.S. to Prl.Secy., AHDDF Deptt.
The P.S. to E.O.S. (H&S).
SF/SC.

// FORWARDED BY ORDER //

SECTION OFFICER



Government of Andhra Pradesh

“Raithu Kosam”

**Farmers Producers Organisations Promotion
Policy of Andhra Pradesh–2016**

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Farmers Producers Organisations Promotion Policy of Andhra Pradesh–2016

1. Background

The Government of Andhra Pradesh (GoAP) has given high priority to primary sector – agriculture and allied sectors from the year 2014; it also presents annual separate budget for primary sector. Over the last two years, enormous efforts have been directed to strengthen agriculture, fisheries, horticulture, dairy, and meat / livestock sectors in terms of new technology, productivity improvement, infrastructure, knowledge, IT applications, market intelligence, linkages, and credit and finance arrangements and so on. In the State's double digit growth strategy, out of total 40 growth engines, 23 belong to primary sector. All this has resulted in boosting up primary sector growth rate (in 2015-16) to 8.4%, compared to 1.12% at national level.

Further, to generate wealth for the farmers particularly small farm holders there is an urgent need to create appropriate ecosystem in the state. Certain commodities are also identified for providing necessary support systems for the entire production/ value chain. In this entire process, one of the important elements is institutions of farmers. Experiences in India and other parts of the world clearly indicate that farmers institutions that are membership based, financially robust, adopt business model and well connected (to technology, research, markets, banks and other infrastructure facilities) could provide enormous economic benefits to its members – farmers. Such collective action goes beyond coming together for infrastructure development, but goes to realms of business and markets. Moreover, institutional arrangement/ membership based institutions are found to be backbone for primary sector. With this background, both central government and state governments are clearly putting considerable emphasis on promoting "Farmers Producers Organizations (FPOs)" as an important policy for creating an ecosystem for enhancing farmers' profits.

Owing to the growing importance of FPOs, the Agricultural Production Commissioner and Special Chief Secretary of the Department of Planning, and from January 2016, the Chief Secretary, has facilitated a series of discussions, brain storming sessions with various departments, experts, farmer's organizations and NGOs, civil society organizations for providing direction to this agenda. All those deliberations have led to formulation of this policy. This policy document provides a rationale, goal and objectives, actions to be taken, guiding principles, expected end results, institutional arrangements at district and state level, financial allocations and logical framework.

2. Rationale

Key reasons for developing a focused policy:

1. Majority of farmers (agriculture, horticulture, vegetables, fisheries, dairy, meat, flowers and other commodities) are unorganized. As a result, they are prone to exploitation at various stages of production/ value addition. .
2. The concerned government departments need suitable support in promoting the farmers' producers organizations for related commodities. Also need to build up greater synergies among these departments, to promote FPOs.
3. Owing to existing social capital in Andhra Pradesh (like self-help groups (SHGs) and other project based institutions), there is a need to develop productive relationship across these new FPOs.

4. ICT tools/applications, financial inclusion processes, web based/ mobile based tools would offer new opportunities for creating collective action by farmers. Appropriate efforts need to be made to enable digital comfort at all levels and for all functions.
5. This policy necessitates stewardship and partnership at multiple levels. Various categories of agencies have to be orchestrated to function for a common cause.
6. Global experiences have demonstrated that institutions of organized producers through FPOs would add value and adopt business model. In turn, it would trigger high growth and sustain the productivity and incomes of members.

3. Goal

The overall goal of FPO initiative is to increase productivity, maximise profitability and realization of proper pricing through processing, market linkages, value addition and better knowledge system.

4. Objectives

- To bring together 10 lakh farmers through 1,000 FPOs and start-ups in the state through strengthening on-going efforts of the line departments, NGOs and other agencies by developing necessary support systems.
- Providing handholding support for improving the productivity through effective extension services, suitable technologies and knowledge systems.
- Facilitating infrastructure facilities for improved efficiency in production systems and cost reduction.
- Promoting a business model for generating higher incomes through public private partnership.

5. Guiding Principles

- Autonomous and robust farmers' institutions would trigger economic gains for members.
- Policy for promoting FPCs/FPOs would facilitate the evolution of different models. There is "no single model". The respective departments/ promoting agencies may design suitable model.
- Legal Aspects of Farmers' Institutions:
 - a. A typical Farmers' Producers Organization may have 500 to 1000 members. In case of special circumstances (tribal regions, commodity specific needs), the number of members in a FPO could be less than 500 members.
 - b. The legal status of the entity should enable business/ trading/ other commercial activities that generate income to members. For enabling this, FPOs would be registered either as a Cooperative under the Mutually Aided Cooperative Societies (MACS) Act 1995 or as a producers company under the Companies Act (2013).

- c. These entities may also be nested institutions – i.e., cooperatives (under MACS) at primary level and become members/ shareholders of a producer company, at apex level/ federation level.
- Increased benefits to the members (incomes, services, higher productivity and others) is the basic purpose of establishing FPO/FPC.
- The FPO/ FPC is a business entity.
- FPO/ FPC is not to be formed in vacuum. FPOs/ FPCs have to be established in the context of existing markets/ markets that they may potentially access in future. Based on a systematic assessment of market potential, business plans of FPO/ FPC have to be developed. The timeline for promotion of FPO/ FPC is 3-5 years.
- On-going efforts by departments, NGOs and other agencies would be consolidated and further strengthened by developing necessary support systems
- FPOs will focus on
 - a. Improving productivity by improved extension services; appropriate technology and knowledge systems.
 - b. Infrastructure facilities for improved efficiency in production systems and reduce cost of production thru inputs delivery systems
 - c. Business opportunities thru value-chain approach and linking with markets that generate higher incomes
 - d. FPOs should be tied with storage facilities
 - e. VAT, income tax, sales tax, interest rates, increase credit guarantee for FPOs
 - f. Facilitate corporate tie-ups to link with industries which can bring corporate companies within Andhra Pradesh.
 - i. Shareholders of the FPOs can be irrespective of land holding/ lease/ others like tenants
 - ii. Membership of FPOs should be flexible for consideration on current legal framework, to enable complete access to all schemes of the government (like loans, subsidies and others).
 - iii. Common interest groups, capture vs culture (producing vs collecting) in common pool resources like crab farming etc.

6. Key Strategies

- a. Policy support for promotion and sustainability of FPOs through financial institutions.
- b. Explore opportunities for funding through corporate social responsibility (CSR) with due credit for their contribution.
- c. Convergence of different departmental schemes for assured fund flow and proper allocation.
- d. Monitoring by the third party agencies to maintain transparency, accountability and public information system.
- e. Establish linkages with corporates as a business proposition through public private partnership.
- f. To strengthen the FPOs, enable rural youth to work as facilitators, through Skill development.
- g. Use of ICT tools/ products for enhancing business efficiency of FPOs
- h. Ecological/ sustainable farming – as a service/ choice to members of FPOs

7. Expected Outputs

A. Quantitative:

- a. Income goes up to 20% to 35%.
- b. Reduction in cost of production by 20%
- c. Minimise losses in production, procurement and marketing (to 10%)
- d. Productivity enhancement from 5% to 20%
- e. 50% of district total production would be handled by FPOs

B. Qualitative:

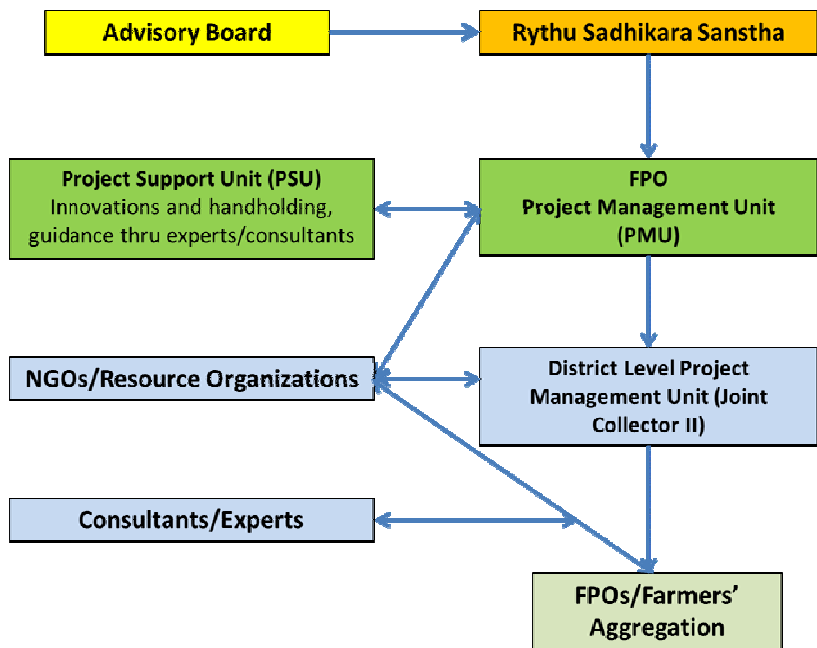
- a. Better price realisation by farmer/producer. Maximum share of price goes to producer.
- b. The share of intermediaries in value chain process would reduce. Farmers/producers get higher share of prices
- c. Branding and presence in the markets for FPOs
- d. Employment generation (direct and indirect)

8. Process Steps for form FPO/ FPC

- a. Region and commodity specific matrix need to be developed along with facilitating agencies. This would provide a total picture of the potential that exists in each region for each commodity.
- b. Based on the above assessment, potential clusters would be identified.
- c. Market study/ assessment
- d. Collectivization of farmers into Farmer Interest Groups
- e. Convert the Farmer Interest Groups into FPO/ FPC (Bye laws and registration)
- f. Mobilization of membership fees/ share capital
- g. Establish bank linkages, develop knowledge and input delivery systems.
- h. Technical support -production systems/ productivity enhancement
- i. Marketing linkages for surplus
- j. On priority, NGO/ promoting agency should identify markets for specific commodity (market scanning). Based on this assessment, form FPOs/ FPCs.
- k. FPO/FPC are linked to corporate/ market agencies or the FPO/FPC itself becomes a market player/agency itself. (Depending on the opportunity they get).
- l. All the above steps have been summarized in the following figure.

9. Institutional Arrangements

Following institutional arrangement has shown in the figure below has been designed for a functional effective system.



10.



Financial Aspects

- A. Following sources of funding will be provided to promote FPOs in Andhra Pradesh.
 - a. Existing funds from on-going schemes of various departments
 - b. A special fund would be created by the Government of Andhra Pradesh
 - c. Credit from various financial institutions – Banks/ NABARD/ Other sources
- B. Innovation Fund: It is proposed to create “innovation fund” for strengthening this agenda. This fund would be used for taking up any innovation, pilot and experiment and start-ups that has potential to strengthen the agenda of FPOs. This fund would be anchored at PMU of the FPOs and any agency could access this fund through an

application. Planning Department will develop required protocols for channelling/ using this fund.

C. Financial support is required for the following purposes:

a. Financial Support for Farmers' Producers Organizations

Financial Support is required to provide support systems for FPO. These purposes are briefly mentioned here.

b. Financial Support for Support Systems

- i. Financial Support to FPO Promoting NGOs: This includes the following items. a) Staff of NGO, b) Training Programs/ exposure visits, c) Travel
- ii. Financial Support to Resource Agency: This includes the following items: a) Consultancy services for providing specific advisory/ technical inputs, and b) Travel and logistical costs
- iii. Financial Support to State/ District Project Management Units: This includes: a) Consultancy services of the teams at PMU at state/ district level; b) Travel and logistical costs; c) ICT applications
- iv. Financial Support to Project Support Unit: This includes: a) Consultancy services of the teams at PSU; b) Consultancy services of resource persons/ experts; c) Budgets for workshops/ training programs; d) Travel/ Logistics; e) Overheads

11. Monitoring and Learning Systems

Regular monitoring and learning at various levels will help in improving the performance of an FPO.

- a. PSU/PMU level: Project Support Unit/Project Monitoring Unit will play a key role in tracking the performance of FPOs periodically. This includes, regular interaction with FPOs through district level implementing unit and experts and consultants.
- b. Auditing: To maintain accountability and transparency of the FPO formation and performance, a third-party auditing will be encouraged.
- c. Evaluation: The performance evaluation will be done with regular interval to track the changes with its functioning and processes. This will feed into the learning systems of FPOs.

SATYA PRAKASH TUCKER
CHIEF SECRETARY TO GOVERNMENT